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BEFORE THE ARIZONA CORPORATION C

GARY PIERCE
Chairman
BOB STUMP
Commissioner
SANDRA D. KENNEDY
Commissioner
PAUL NEWMAN
Commissioner
BRENDA BURNS
Commissioner

Arizona Corporation Commission

DOCKETED

OCT 17 2012



IN THE MATTER OF ORANGE GROVE
WATER COMPANY, INC.'S APPLICATION
FOR IMPLEMENTATION OF FINANCING
SURCHARGE

DOCKET NOS. W-02237A-11-0180
W-02237A-11-0084

DECISION NO. 73554ORDER

Open Meeting
October 4, 2012
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACTIntroduction

1. On January 6, 2012, the Commission issued Decision No. 72734 establishing new rates for Orange Grove Water Company, Inc. ("Orange Grove" or "Company") and authorizing long-term debt financing in the amount of \$30,000.

2. Decision No. 72734 ordered Orange Grove to file with Docket Control, within 60 days of closing the Water Infrastructure Finance Authority ("WIFA") loan, an application using actual loan amounts, based on the methodology set forth in Exhibit A of the Decision, requesting implementation of a WIFA debt surcharge.

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3. Pursuant to Decision No. 72734, Orange Grove filed the required loan documentation for the \$30,000 WIFA loan on July 31, 2012, with Docket Control. Also on July 31, 2012, the Company filed an application for implementation of a financing surcharge.

Calculation of WIFA loan Surcharge

4. Decision No. 72734 ordered that, upon the Company's filing of the appropriate WIFA loan documentation, Staff shall calculate the actual WIFA loan surcharge and file the appropriate surcharge amount to be collected from the Company's customers according to their meter size. The Company has filed the required loan documentation and Staff has calculated the WIFA loan surcharge necessary to recover the debt service cost.

5. Based on the actual \$30,000 WIFA loan and the 4.2 percent interest rate, the Company requires an additional \$2,501.25 annually to pay for principal, interest, and income tax on the loan.

6. Staff has reviewed the Company's methodology of calculating the WIFA loan surcharge as ordered in Decision No. 72734. Staff concludes that the Company has correctly calculated the surcharge and recommends adoption of the Company proposed surcharge.

7. When the \$0.69 WIFA loan surcharge is implemented, the typical bill for a 5/8 x 3/4-inch meter residential customer with a median usage of 6,611 gallons will increase by \$0.69 or 2.5 percent, from \$28.08 to \$28.77.

8. Staff recommends approval of the WIFA loan surcharges presented below:

MONTHLY WIFA LOAN SURCHARGE

5/8 x 3/4-Inch Meter	\$ 0.69
3/4-Inch Meter	\$ 1.03
1-Inch Meter	\$ 1.72
1 1/2-Inch Meter	\$ 3.44
2-Inch Meter	\$ 5.50
3-Inch Meter	\$ 10.32
4-Inch Meter	\$ 17.20
6-Inch Meter	\$ 34.40

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9. Staff recommends the Company be required to notify its customers of the WIFA loan surcharge tariff approved herein within 30 days of the effective date of the Commission Decision, in this proceeding.

10. We find that Staff's conclusions and recommendations are reasonable and should be adopted.

CONCLUSIONS OF LAW

1. The Company is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-250 and 40-252.

2. The Commission has jurisdiction over the Company and of the subject matter of the application.

3. Approval of a WIFA loan surcharge is consistent with the Commission's authority under the Arizona Constitution, Arizona ratemaking statutes, and applicable case law.

4. It is in the public interest to approve the Company's request for implementation of the WIFA loan surcharge as discussed herein.

ORDER

IT IS THEREFORE ORDERED that the application by Orange Grove Water Company, Inc. for the implementation of its WIFA loan surcharge mechanism is approved as discussed herein.

IT IS FURTHER ORDERED that Orange Grove Water Company, Inc. is hereby authorized and directed to file with the Commission's Docket Control, as a compliance item in this docket, within 30 days of the effective date of this Decision, a revised tariff setting forth the following WIFA loan surcharges:

MONTHLY WIFA LOAN SURCHARGE

5/8 x 3/4-Inch Meter	\$ 0.69
3/4-Inch Meter	\$ 1.03
1-Inch Meter	\$ 1.72
1 1/2-Inch Meter	\$ 3.44
2-Inch Meter	\$ 5.50
3-Inch Meter	\$ 10.32
4-Inch Meter	\$ 17.20
6-Inch Meter	\$ 34.40

1 IT IS FURTHER ORDERED that Orange Grove Water Company, Inc. shall notify its
2 customers, in a form acceptable to Staff, of the WIFA loan surcharge tariff approved herein within
3 30 days of the effective date of this Decision.

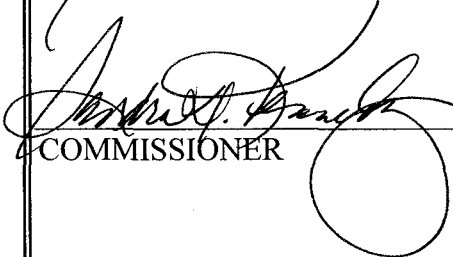
4 IT IS FURTHER ORDERED that Orange Grove Water Company, Inc. shall apply the
5 WIFA loan surcharge to customers' bills beginning the month after all customers have been
6 notified.

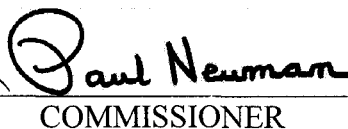
7 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

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9 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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CHAIRMAN

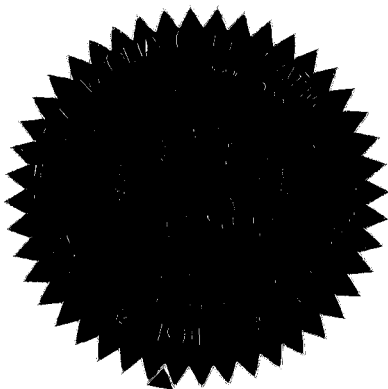

COMMISSIONER

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COMMISSIONER


COMMISSIONER


COMMISSIONER

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16 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
17 Executive Director of the Arizona Corporation Commission,
18 have hereunto, set my hand and caused the official seal of
19 this Commission to be affixed at the Capitol, in the City of
20 Phoenix, this 17th day of October, 2012.



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ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

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24 DISSENT: _____

25 DISSENT: _____

26 SMO:CSB:sms\WVC
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1 SERVICE LIST FOR: Orange Grove Water Company, Inc.
2 DOCKET NOS. W-02237A-11-0180 and W-02237A-11-0084

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SCHEDULE CSB-1

Orange Grove Water Company
Docket Nos. W-02237A-11-0084 & W-02237A-11-0180
Test Year Ended December 31, 2010

Schedule CSB-1
Page 1 of 2

WIFA LOAN SURCHARGE CALCULATION - EXAMPLE

Loan Amount: \$30,000
Term: 20 Years
Interest Rate Before Subsidy: 4.20%
WIFA Subsidy Rate: 100%
WIFA Interest rate (9.25% x 100%): 4.200% If interest rate is not found on TABLE A, use the next highest percentage

Step 1 - Find the Annual Payment on Loan

\$30,000 Total Amount of Loan
0.0743 TABLE A, Conversion Factor Table, Column B
\$2,229.00 Annual Principle and Interest Payment

Step 2 - Find the Annual Interest Payment on Loan

\$30,000 Total Amount of Loan
0.0418 TABLE A, Conversion Factor Table, Column C
\$1,254.00 Annual Interest Payment on Debt

Step 3 - Find the Annual Principal Payment on Loan

\$30,000 Total Amount of Loan
0.0324 TABLE A, Conversion Factor Table, Column D
\$972.00 Annual Principal and Interest Payment

Step 4 - Find the Gross Revenue Conversion Factor

1.283183245

Step 5 - Find the Incremental Income Tax Factor

1.28318 minus 1 = 0.28318

Step 6 - Find the Annual Income Tax Component of Surcharge Revenue

0.28318 Incremental Income Tax Factor (from Step 5)
\$972.00 Multiplied by: Annual Principal Payment on Loan (from Step 3)
\$275.25 Annual Income Tax Component of the Annual Surcharge Revenue

Step 7 - Find the Debt Service Component of the Annual Surcharge Revenue

\$1,254.00 Annual Interest Payment on Debt (from Step 2)
\$972.00 Plus: Annual Principal Payment (from Step 3)
\$2,226.00 Debt Service Component of the Annual Surcharge Revenue

Step 8 - Find the Annual Surcharge Revenue Requirement Needed for the Loan

\$275.25 Annual Income Tax Component of the Annual Surcharge Revenue (from Step 6)
\$2,226.00 Plus: Debt Service Component of the Annual Surcharge Revenue (from Step 7)
\$2,501.25 Total Annual Surcharge Revenue Requirement for the Loan

Step 9 - Find the Equivalent Bills

Col A	Col B	Col C	Col D	Col E
Meter Size	NARUC Multiplier	Number of Customers	Number of Months in Year	Equivalent Bills Col B x C X D
5/8" x 3/4" Meter	1	303	12	3,636
3/4" Meter	1.5	0	12	-
1" Meter	2.5	0	12	-
1 1/2" Meter	5	0	12	-
2" Meter	8	0	12	-
3" Meter	15	0	12	-
4" Meter	25	0	12	-
6" Meter	50	0	12	-
		303		3,636

Step 10 - Find the Monthly Surcharge for the 5/8" x 3/4" Meter Size Customers

\$2,501.25 Total Annual Surcharge Revenue Requirement for the Loan (from Step 8)
3,636 Divided by: Total Number of Equivalent Bills
\$ 0.69 Monthly Surcharge for 3/4" Customers

Step 11 - Find the Monthly Surcharge for the Remaining Meter Size Customers

Col A	Col B	Col C	Col D
Meter Size	NARUC Multiplier	5/8" x 3/4" Customers' Surcharge	Surcharge by Meter Size Col B x C
5/8" x 3/4" Meter	1	\$ 0.69	\$ 0.69
3/4" Meter	1.5	\$ 0.69	\$ 1.03
1" Meter	2.5	\$ 0.69	\$ 1.72
1 1/2" Meter	5	\$ 0.69	\$ 3.44
2" Meter	8	\$ 0.69	\$ 5.50
3" Meter	15	\$ 0.69	\$ 10.32
4" Meter	25	\$ 0.69	\$ 17.20
6" Meter	50	\$ 0.69	\$ 34.40

Orange Grove Water Company
Docket Nos. W-02237A-11-0084 & W-02237A-11-0180
Test Year Ended December 31, 2010

Schedule CSB-1
Page 2 of 2

TABLE A
Conversion Factor Table (Based on a 20-year Loan)

Line No.	Column A Annual Interest	Column B Annual Payment Conversion Factor	Column C Annual Interest Payment Conversion Factor	Column D Annual Principal Payment Conversion Factor
1	3.50%	0.0696	0.0344	0.0352
2	3.75%	0.0711	0.0369	0.0342
3	4.00%	0.0727	0.0394	0.0333
4	4.25%	0.0743	0.0419	0.0324
5	4.50%	0.0759	0.0444	0.0316
6	4.75%	0.0775	0.0468	0.0307
7	5.00%	0.0792	0.0493	0.0299
8	5.25%	0.0809	0.0518	0.0291
9	5.50%	0.0825	0.0543	0.0283
10	5.75%	0.0843	0.0568	0.0275
11	6.00%	0.0860	0.0593	0.0267
12	6.25%	0.0877	0.0618	0.0259
13	6.50%	0.0895	0.0643	0.0252
14	6.75%	0.0912	0.0668	0.0245
15	7.00%	0.0930	0.0692	0.0238
16	7.25%	0.0948	0.0717	0.0231
17	7.50%	0.0967	0.0742	0.0224
18	7.75%	0.0985	0.0767	0.0218
19	8.00%	0.1004	0.0792	0.0211

SCHEDULE CSB-2

Orange Grove Water Company

Schedule CSB-2

Docket Nos. W-02237A-11-0084 & W-02237A-11-0180

Test Year Ended December 31, 2010

TYPICAL BILL ANALYSIS

Residential Service 5/8 X 3/4 - Inch Meter

Average Number of Customers: 303

	Gallons	Present Rates	Present Rates	Dollar Increase	Percent Increase
		Without \$0.69 Surcharge	With \$0.69 Surcharge		
Staff and Company Proposed					
Average Usage	7,727	\$31.15	\$31.84	\$0.69	2.2%
Median Usage	6,611	\$28.08	\$28.77	\$0.69	2.5%

Present Rates
Residential 5/8 x 3/4 Inch Customers

Gallons Consumption	Present Rates Without Surcharge	Present Rates With Surcharge	% Increase
0	\$12.15	\$12.84	5.7%
1,000	14.15	14.84	4.9%
2,000	16.15	16.84	4.3%
3,000	18.15	18.84	3.8%
4,000	20.90	21.59	3.3%
5,000	23.65	24.34	2.9%
6,000	26.40	27.09	2.6%
7,000	29.15	29.84	2.4%
8,000	31.90	32.59	2.2%
9,000	35.21	35.90	2.0%
10,000	38.52	39.21	1.8%
15,000	55.07	55.76	1.3%
20,000	71.62	72.31	1.0%
25,000	88.17	88.86	0.8%
50,000	170.92	171.61	0.4%
75,000	253.67	254.36	0.3%
100,000	336.42	337.11	0.2%
125,000	419.17	419.86	0.2%
150,000	501.92	502.61	0.1%
175,000	584.67	585.36	0.1%
200,000	667.42	668.11	0.1%